



## TENNESSEE REGISTRY OF ELECTION FINANCE

---

### **Campaign Finance Audit of Jesse B. Jobe Election Year 2006**



#### **Audit Team:**

Jay Moeck, CPA, CFE  
Audit Manager

Tabitha Peden, CFE  
Senior Auditor

# STATE OF TENNESSEE



REGISTRY OF ELECTION FINANCE  
404 JAMES ROBERTSON PARKWAY, SUITE 1614  
NASHVILLE, TN 37243-1360  
(615) 741-7959  
Fax: (615) 532-8905

BOARD MEMBERS  
William F. Long, Jr., Nashville, Chairperson  
George Harding, Lebanon  
Patricia Heim, Nashville  
Wade Hinton, Chattanooga  
Darlene McNeece, Loudon  
Lee Anne Murray, Nashville

EXECUTIVE DIRECTOR  
Drew Rawlins

AUDIT MANAGER  
Jay Moeck, CPA, CFE

December 5, 2007

Members of the Registry of Election Finance  
404 James Robertson Parkway, Suite 1614  
Nashville, TN 37243-1360

Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Jesse B. Jobe's 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Manager

STATE OF TENNESSEE  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**

Jesse B. Jobe

2006 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Jesse B. Jobe's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limits laws and regulations; accuracy and completeness of the disclosures on the 2006 Second Quarter, 2006 Pre-Primary, 2006 Third Quarter, and 2006 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

**1. Mr. Jobe did not properly maintain a campaign account in violation of Registry rules for bookkeeping.** Mr. Jobe did not maintain a separate bank account from which he deposited all campaign contributions and from which he expended all campaign monies in violation of Registry rules.

---

## TABLE OF CONTENTS

---

	<b><u>PAGE</u></b>
<b>INTRODUCTION</b>	
Audit Authority	1
Audit Purpose	1
Audit Scope	1
<b>CAMPAIGN OVERVIEW</b>	
Campaign Organization	2
Overview of Financial Activities	2
<b>CHARTS</b>	
2006 Election Campaign Contributions	3
2006 Itemized Contributions by Source	3
2006 Election Contributions by Reporting Period	4
2006 Election Expenses by Reporting Period	4
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	5
<b>Finding 1 - Mr. Jobe did not properly maintain a campaign account in violation of Registry rules for bookkeeping.</b>	7
Disbursements and Obligations	7
Recommendations to Candidate	9
Recommendations to Registry	9
<b>RESOLUTIONS</b>	
Registry of Election Finance Actions	9

---

## INTRODUCTION

---

### **AUDIT AUTHORITY**

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(2), which requires the Registry to audit approximately two percent of all candidates for the general assembly.

### **AUDIT PURPOSE**

The Registry’s campaign finance audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. Therefore, the audit reviewed only Mr. Jobe’s disclosures on his 2006 Second Quarter, 2006 Pre-Primary, 2006 Third Quarter, and 2006 Fourth Quarter Campaign Financial Disclosure Statements. As of the date of this audit report, the candidate had filed the 2006 Annual Mid-Year Supplemental (2007) Campaign Financial Disclosure Statement, which covered campaign activities from January 16, 2007 to June 30, 2007. This report was part of the candidate’s 2006 campaign disclosures; however, the disclosures were not included in the audit procedures since the report was prepared after commencement of the audit process.

---

## CAMPAIGN OVERVIEW

---

### CAMPAIGN ORGANIZATION

Jesse B. Jobe was a candidate in the August 3, 2006 primary election for the House of Representatives for district 96. Mr. Jobe filed an original Appointment of Political Treasurer Statement with the Registry on February 15, 2006 appointing himself as political treasurer. Mr. Jobe filed a revised Appointment of Political Treasurer Statement with the Registry on March 15, 2006 appointing William H. Watkins III as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 first quarter report filed on April 10, 2006. As of October 31, 2007, Mr. Jobe's most current financial disclosure report was the 2006 annual mid-year supplemental (2007), which he filed on July 13, 2007. The 2006 annual mid-year supplemental (2007) report indicated \$32.09 in cash on hand, \$0.00 in outstanding obligations, and \$761.70 in outstanding loans. The candidate has not completed his 2006 election campaign reporting requirements. The candidate's next report will be due on January 31, 2008 and will cover the period of July 1, 2007 to January 15, 2008.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2005 early supplemental, 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 fourth quarter, and 2006 annual mid-year supplemental (2007) reports after amendments. As noted in the audit scope, we only audited disclosures from the 2006 second quarter through the 2006 fourth quarter. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 1, 2005		\$0.00
Receipts		
Itemized	\$8,075.00	
Un-itemized	2,255.00	
Interest	0.00	
Loans receipted	1,261.70	
Total receipts		<u>\$11,591.70</u>
Disbursements		
Itemized	10,793.16	
Un-itemized	266.45	
Loans principal payments	500.00	
Total disbursements		<u>\$11,559.61</u>
Cash on hand at June 30, 2007		<u>\$32.09</u>
Loans outstanding at June 30, 2007		\$761.70
Obligations at June 30, 2007		\$0.00
Total in-kind contributions received		\$0.00

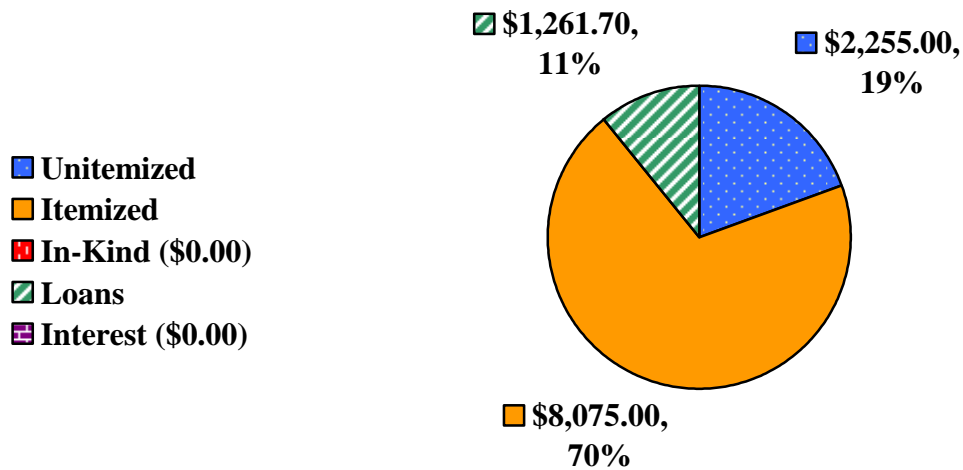
---

## CHARTS

---

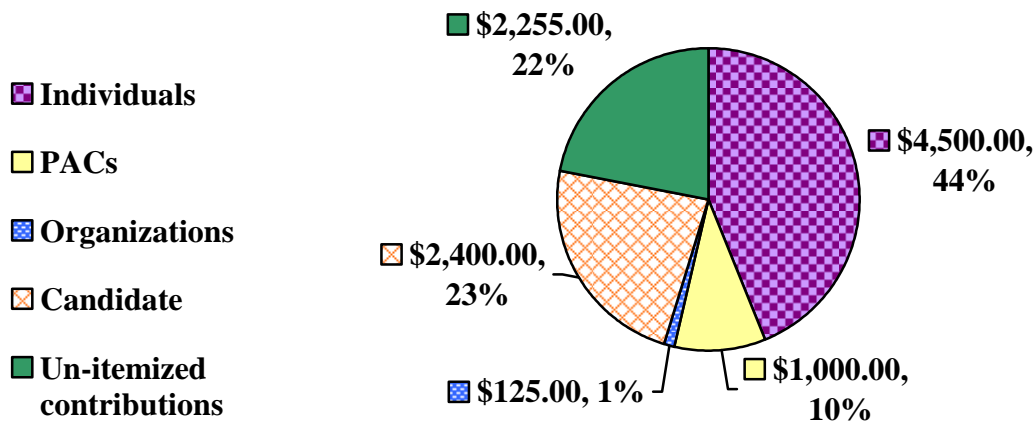
### 2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



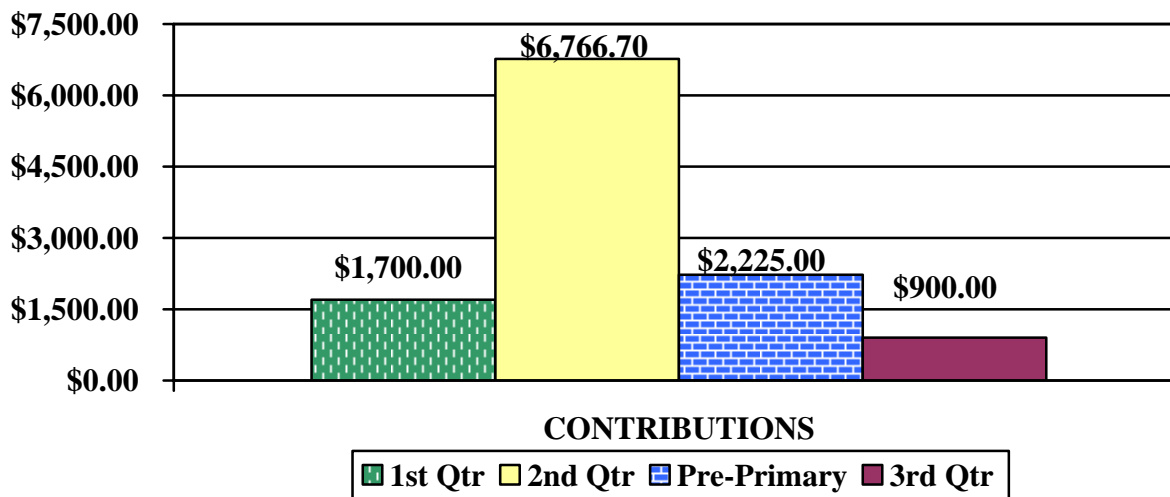
### 2006 CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the candidate for the 2006 election campaign. Organizations in this chart represent non-profit organizations, individual candidate's campaign funds, or non-incorporated business.



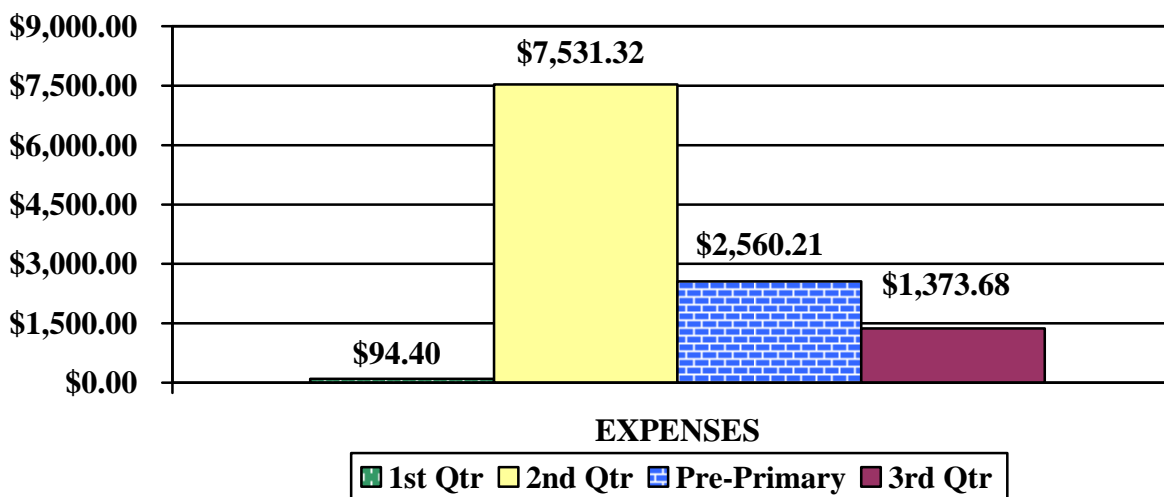
## **2006 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

The following chart shows the contributions that the candidate reported for the 2006 election campaign by reporting period. The candidate had no activity in fourth quarter or mid-year supplemental (2007) reporting periods; therefore, these periods were not displayed.



## **2006 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2006 election campaign by reporting period. The candidate had no activity in fourth quarter or mid-year supplemental (2007) reporting periods; therefore, these periods were not displayed.





---

## OBJECTIVES, METHODOLOGIES, CONCLUSIONS

---

### **CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

The objectives of our audit of contributions and loans were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letters or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- loans received were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- loans received from lending institutions were supported by loan agreements.

#### ***Audit Methodology:***

The Registry obtained Mr. Jobe's 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007. We requested Mr. Jobe to provide his campaign records to support all contributions, loans, and interest that he received during his 2006 election campaign. Mr. Jobe's campaign records for contributions included bank statements, photocopied contribution checks, validated bank deposit slips, and contributor lists. The following steps were performed on Mr. Jobe's campaign documentation:

- The documentation was reviewed to determine if the candidate's contributions received from April 1, 2006 thru January 15, 2007 totaled \$8,630.00.

- A list of contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- Contribution lists and bank statements were reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, all contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were reported in compliance with the Registry's rules.
- The supporting documentation was reviewed to determine if the candidate's loan proceeds from April 1, 2006 thru January 15, 2007 totaled \$1,261.70.
- A schedule of loans received and payments made by source was prepared and compared to the candidate's bank statements to determine if the candidate deposited all loan proceeds into a campaign bank account and made all payments from campaign funds.
- The schedule of loans was compared to loan agreements or other supporting documentation to determine the source and terms of the loans received.
- The schedule of loans was reviewed to determine if all loan activity was reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all loans were in compliance with the Registry's rules.

***Audit Conclusion:***

Mr. Jobe's 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007 consisted of the 2006 second quarter, 2006 pre-primary, 2006 third quarter, and 2006 fourth quarter. Mr. Jobe's campaign records indicated that he received contributions totaling \$8,630.00. He deposited \$6,230.00 in contributions into his campaign account. Therefore, Mr. Jobe did not deposit \$2,400.00 into his campaign account, which violated Registry rules. (Finding 1) Mr. Jobe's campaign records indicated that he provided personal loans totaling \$1,261.70. The campaign records indicated a bank deposit of \$400.00 in cash, with a note stating that the funds were part of his personal loans. Mr. Jobe did not deposit the remaining \$861.70 into his campaign account. Instead, Mr. Jobe paid an invoice from his personal funds, which also violated Registry rules. (Finding 1) Mr. Jobe's campaign records and disclosures indicated that contributions reported complied with campaign finance limits and complied with campaign finance laws. Mr. Jobe reported no in-kind contributions, interest earnings, or investment earnings during his 2006 election campaign.

## **FINDING**

### **1. Mr. Jobe did not properly maintain a campaign account in violation of Registry rules for bookkeeping.**

Mr. Jobe did not maintain a separate campaign bank account for his 2006 campaign activities as required by the Registry's bookkeeping rules. Mr. Jobe disclosed an itemized personal contribution of \$2,400.00 on the 2006 second quarter report. The candidate supported this contribution by providing a vendor invoice for \$2,400.00 with a handwritten note from Mr. Jobe stating that the funds were a personal contribution. In addition, Mr. Jobe reported an \$861.70 personal loan on his second quarter report, which he also supported by providing a vendor invoice with a handwritten note that the invoice was a personal loan. Mr. Jobe provided the invoices to support a \$2,400.00 design work expenditure and a \$861.70 yard sign expenditure that he reported in the same period. The campaign records indicated that Mr. Jobe used his personal funds to pay the campaign expenses.

The failure to maintain a separate campaign bank account could result in the failure to report all campaign contributions and/or the personal use of campaign funds. The Registry established rules for campaign bank accounts to prevent candidates from comingling personal and campaign funds, which could subsequently lead to inaccurate reporting of campaign activities or the misuse of campaign funds. The candidate did not implement the following Registry rules for the use of a campaign account, which resulted in inadequate campaign records:

- Registry Rule 0530-1-1-.01(1) defines a campaign account as “a separate bank account which must be maintained by a candidate or political campaign committee into which all campaign contributions shall be deposited and from which all campaign monies shall be expended.”
- Registry Rule 0530-1-1-.02(1) states that a candidate shall not comeingle personal funds or other monies with campaign account funds.
- Registry Rule 0530-1-1-.02(4) specifically states that all expenditures shall be made from the campaign account.

## **DISBURSEMENTS AND OBLIGATIONS**

### ***Audit Objectives:***

The objectives of our audit of disbursements and obligations were to determine whether:

- all disbursements and obligations were supported by vendor receipts, canceled checks, and bank statements;
- all disbursements and obligations were made for non-prohibited activities; and

- all disbursements and obligations were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and reported in compliance with the Registry rules.

***Audit Methodology:***

The Registry obtained Mr. Jobe's 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007. We requested Mr. Jobe to provide his campaign records to support all expenditures that he had during his 2006 election campaign. Mr. Jobe's campaign records for expenditures included his bank statements, photocopied expense checks, and vendor invoices. The following steps were performed on Mr. Jobe's campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from April 1, 2006 thru January 15, 2006 totaled \$11,465.21.
- A list of disbursements was prepared and compared to the candidate's bank statements and copies of cleared checks to determine if the candidate expended all funds from the campaign bank account.
- The list of disbursements and bank statements were reviewed to determine if all expenses were reported, all expenses were reported in the proper period, all expenses were reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and all expenses were in compliance with the Registry's rules.
- A list of obligations was prepared and compared to supporting documentation to determine if all obligations were accurate, reported in the proper period, and if paid verified to subsequent payments.

***Audit Conclusion:***

Mr. Jobe's 2006 Campaign Financial Disclosure Statements and campaign records indicated that he had un-itemized expenses totaling \$172.05 and itemized expenses totaling \$11,293.16 from April 1, 2006 to January 15, 2007. As outlined in finding 1, Mr. Jobe did not follow Registry rules for bookkeeping by depositing and expending all funds from his campaign account. Mr. Jobe paid \$3,261.70 of the \$11,293.16 in itemized expenses from his personal funds instead of from his campaign account, which violated Registry rules (Finding 1). The campaign records and disclosures indicated that all expenses, except those noted in the findings, complied with campaign finance laws. Mr. Jobe reported no obligations during the 2006 election campaign.

## **RECOMMENDATION TO CANDIDATE**

Mr. Jobe should amend his campaign financial disclosure report to include all campaign expenditures and properly disclose all expenditures that are required to be itemized.

For future elections, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that:

- Contributions and expenditures are adequately documented.
- Contributions are deposited in the campaign account within 10 days of receipt.
- Contributions made for a primary election can be distinguished from those made for a general election.
- The aggregate amount of contributions received per election from each contributor can be determined.

The candidate should establish a campaign account into which all contributions are deposited and expenditures are paid. The candidate should retain all checks, bank statements, and vendor receipts in order to comply with the audit process and to verify compliance with campaign finance statutes. To verify that all campaign finance activities are properly recorded and reported, the candidate should ensure the campaign bank account reconciles to the campaign disclosure statements.

## **RECOMMENDATION TO REGISTRY**

We recommend the Registry approve the audit performed as being sufficient and complete. Additionally, we recommend the Registry post the audit report to the Registry's website. The report and related finding will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

---

## **RESOLUTIONS**

---

## **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2006 campaign finance audit of Jesse B. Jobe during the December 12, 2007 regular monthly meeting. The report contained one finding. The Registry voted to accept and approve the audit report with no further action.